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ABSTRACT

This is the twelfth in a set of 36 teaching guides to the Entrepreneurship Training Modules and accompanies CE 031 052. Its purpose is to give students some idea of what it is like to own and operate a service business. Following an overview are general notes on use of the module. Suggested steps for module use contain suggestions on introducing the module, a brief discussion of the nine units, responses to learning activities, suggestions for summarizing the module, and responses to the quiz. The units are Planning a Business and Personal Service; Choosing a Location; Getting Money to Start; Being in Charge; Keeping Track of Supplies and Schedules; Setting Prices; Advertising and Selling; Keeping Financial Records; Keeping Your Business Successful. Each unit contains a case study; responses to individual activities; responses to discussion questions; and a group activity. Suggested readings for the teacher and a list of goals and objectives complete the module. (CT)

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GETTING DOWN TO BUSINESS:

Business and Personal Service

Module 12

Teacher Guide

CE031053

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GETTING DOWN TO BUSINESS:

Business and Personal Service

Rachel L. Rassen

April 1981

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TABLE OF CONTENTS

Overview 1

Suggested Steps for Module Use 4

Introduction 4

Unit 1 5

Unit 2 6

Unit 3 8

Unit 4 9

Unit 5 11

Unit 6 13

Unit 7 15

Unit 8 16

Unit 9 19

Summary 20

Quiz 21

Suggested Readings 23

Goals and Objectives 24

OVERVIEW

The purpose of these Getting Down to Business modules is to provide high school students in vocational classes with an introduction to the career option of small business ownership and to the management skills necessary for successful operation of a small business. Developed under contract to the Office of Vocational and Adult Education, U.S. Department of Education, the materials are designed to acquaint a variety of vocational students with entrepreneurship opportunities and to help reduce the high failure rate of small businesses.

As the students become familiar with the rewards and demands of small business ownership, they will be able to make more informed decisions regarding their own interest in this career possibility. It is hoped that, as a result of using these materials, some students will enter small business ownership more prepared for its challenges. Others will decide that entrepreneurship is not well suited to their abilities and interests, and they will pursue other career paths. Both decisions are valid. The materials will encourage students to choose what is best for them.

These Getting Down to Business modules are designed to be inserted into ongoing high school vocational programs in the seven vocational disciplines--Agriculture, Distributive Education, Occupational Home Economics, Business and Office, Trades and Industry, Technical, and Health. They will serve as a brief supplement to the technical instruction of vocational courses, which prepare students well for being competent employees but which generally do not equip them with skills related to small business ownership. The modules are self-contained and require a minimum of outside training and preparation on the part of instructors. Needed outside resources include only those types of materials available to all students, such as telephone directories, newspapers, and city maps. No special texts or reference materials are required. For further optional reading by instructors, additional references are listed at the end of the Teacher Guide. An annotated Resource Guide describing especially valuable entrepreneurship-related materials is also available.

The purpose of this module is to give students some idea of what it is like to own and operate a service business. Students will have an opportunity to learn about the kinds of activities and decisions a service owner is involved in every day. While the module is not a complete "how-to" manual, the individual lessons provide your class with the chance to practice many of these activities and decisions.

Today, owners of small businesses face many problems--some minor, some not so easily taken care of. These problems are reflections of the changes our society is going through. While this module cannot address itself to all of them, the discussion questions at the end of each unit are designed to give students an opportunity to explore possible solutions.

You may want to present this module after completing Module 1, Getting Down to Business: What's It all About? Module 1 is a 16-hour program covering a more in-depth approach to owning any small business. The terms introduced in Module 1 are used in this module with a restatement of their definitions. Also, the forms used are the same, with some minor changes to fit service businesses specifically. Module 1 provides an introduction to owning a small business in addition to some skills and activities that, due to their general nature, are not covered in this module.

Content Organization

Each unit of the module contains the following:

1. Divider Page--a list of what the student should be able to do at the end of that unit.

2. Case Study--an account of a business owner in the field.

3. Text--three to four pages outlining business management principles introduced in the case study but focused more on the student.

4. Learning Activities--three separate sections, including:

   a. Individual Activities--finding information given in the text or applying information in the text to new situations.

   b. Discussion Questions--considering broad issues introduced in the text; several different points of view may be justifiable.

   c. Group Activity--taking part in a more creative and action-oriented activity; some activities may focus on values clarification.

General Notes on Use of the Module

Instructional Time:	Each unit = 1 class period; total class periods	= 9
	Introduction, quiz, summary	= 1
	Total instructional time	= 10 class periods

The case study and text are central to the program's content and are based on the instructional objectives appearing in the last section of this Guide. Learning activities are also linked to these objectives. You will probably not have time, however, to introduce all the learning activities in each unit. Instead, you will want to select those that appear most related to course objectives, are most interesting to and appropriate for your students, and are best suited to your particular classroom setting. Certain learning activities may require extra classroom time and may be used as supplementary activities if desired.

Before presenting the module to the class, you should review both the Student and Teacher Guides and formulate your own personal instructional approach. Depending on the nature of your classroom setting and the students' abilities, you may want to present the case study and text by instructional means that do not rely on students' reading--for example, through a lecture/question-answer format. Case studies and certain learning activities may be presented as skits or role-playing situations.

No particular section of the module is designated as homework, but you may wish to assign certain portions of the module to be completed out of class. You may want students to read the case study and text in preparation for discussion in the next class period, or you may want them to review the material at home after the class discussion. You may also prefer that students read the material in class. Similarly, individual activities may be completed in class or for homework. Discussion questions and group activities are specially intended for classroom use, although some outside preparation by students may also be needed (for example, in the case of visiting a small business and interviewing the owner).

Methods that enhance student interest in the material and that emphasize student participation should be used as much as possible. Do not seek to cover material exhaustively, but view the course as a brief introduction to entrepreneurship skills. Assume that students will obtain more job training and business experience before launching an entrepreneurial career.

The quiz may be used as a formal evaluation of student learning or as a self-assessment tool for students. Answers to learning activities and the quiz are provided in a later section of this guide.

SUGGESTED STEPS FOR MODULE USE

Introduction (10-15 minutes)

I. In introducing this module you will probably want to find out what students already know about the variety and types of service businesses people have started.

- Ask about the types of service businesses students know about.
- Ask if they know about any small, independent service owners.
- Ask them what they think the advantages of owning their own service business might be.
- Ask them what disadvantages they see.

II. Discuss small businesses briefly. Over 90% of all businesses in the United States are small businesses. In this module we will be dealing with very small businesses, meaning a self-employed owner working alone or with one to four employees. Often small businesses are owned and run by members of a family.

III. Discuss the purposes of the module:

- To increase students' awareness of small business ownership as a career option.
- To acquaint students with the skills and personal qualities service business owners need to succeed.
- To acquaint students with the kind of work small business owners do in addition to using their vocational skills.
- To expose students to the advantages and disadvantages of small business ownership.

IV. Emphasize that even if students think they lack management aptitudes, some abilities can be developed. If students "turn on" to the idea of small business ownership, they can work at acquiring abilities they don't have.

Also, students who work through this module will have gained valuable insights into how and why business decisions are made. Even if they later choose careers as employees, they will be better equipped to help the business succeed because of their understanding.

Unit 1 - Planning a Business and Personal Service (1 class period)

I. Vocabulary:

decorating	potential	occupancy
independent	distinctive	fictitious
limousine	reliable	
tutoring	inspection	

Case Study: The services and customers of the Purple Thumb Plant Service are described. The owners describe how they got into this business and how their business has grown and changed.

Text: What Is a Service Business?
Who Are Your Customers?
Is There Room for You?
How to Compete Well, or Service Is the Name of the Game
Getting People to Come Back to You
Starting Your Service and the Law

Points to Consider:

- You may want to tell students that anyone can open a service business--if they have the money and time--but they may not like it. They must have certain personal qualities in order to compete successfully in this business.

- Different states have different licensing and legal requirements for opening and running a service business. There may also be local (county and city) laws to consider. You may want to get this information from your state and local licensing agencies and make a detailed list of these requirements for your students.

II. Responses to Individual Activities

1. Student responses will vary, depending on their familiarity with the business community and the types of services and businesses they have encountered. Service businesses fulfill real needs by providing specific services people need but lack the time, knowledge, or interest to do themselves.

2. There are no right or wrong answers to this question, although some skills and personal qualities are probably irrelevant. This activity is an opportunity for students to evaluate their own interests and styles. Responses will reflect the business interests of the students.

3. Student responses will vary, depending on the type(s) of service businesses that interest them.

III. Responses to Discussion Questions

1. For a home-based service business, your operating costs and expenses may be less, so you may be able to charge less for your work and get a "competitive edge" over your competition. You will also be able to give your customers the personalized attention and service they appreciate, which will make them want to make use of your services again.

2. Service businesses are increasing rapidly for many reasons. For one reason, people are becoming very specialized in their abilities and interests. This means that they need to hire others to help them in areas of their non-expertise. Also, with the rise of working couples and single parents, many people are seeking help with child care, housework, and food preparation. Finally, many people today have discretionary income that they can spend on "themselves." This means that they are willing to pay for certain services that they prefer not to do themselves (e.g., pet grooming or gardening) or that make their life a little more enjoyable or luxurious (e.g., home decoration and beauty consultant services).

IV. Group Activity

The purpose of this activity is to introduce students to the concerns, experiences, and types of planning strategies that go into setting up a service business.

Students should prepare their questions during class before the guest speaker arrives. You may wish to divide the class into small discussion groups for this activity. When students have completed their lists of questions, have students share their lists and compile one list of questions.

Unit 2 - Choosing a Location (1 class period)

I. Vocabulary:

gradually	detective	deductions
faulty	thriving	frustrated
merchandise	assistance	transportation
recreational facilities	Chamber of Commerce	convenient

Case Study: Emma Fried owns and operates a service business business called The Surrogate Wife. Housewifing is important and essential work. Emma enjoys doing it, and getting paid for it.

Text: You Come First
Next, Comes the City
Finding the Right Spot within That City

Additional Points to Consider:

1. You may want to discuss other general factors in selecting a location: the community, make-up of the population by age groups, labor conditions, and nature and prosperity of industries.

2. Some of the points to emphasize in discussing a store location are zoning restrictions, rents, insurance rates, and--if you rent a store or office--the appearance of existing buildings, position of location within the block, etc.

3. This unit describes a very simple market analysis approach to use in opening a service business. There are many ways of conducting market research and analysis, and there are professional businesses available to perform these tasks. It may be helpful to lead a class discussion on the types of information that a market analysis can provide and how this information can affect business decisions.

II. Responses to Individual Activities

1. Checking the want ads is one way of finding out if there is a need for your services in the community.

2. The type of service business will often determine location choices. Students may also mention a particular city, relatives, available recreational facilities, transportation, visibility of location, and so on.

3. Students may identify any of the following sources of information:
   want ads
   temporary employment agencies
   advice from neighbors and other businesses
   Chamber of Commerce information

III. Responses to Discussion Questions

1. Student responses to this question will vary, depending on the characteristics and location of your school and community.

2. Student answers will reflect the information they gathered and conclusions they reached in response to the preceding question. Any reasonable response is acceptable.

3. Responses will vary, depending on the personal qualities and interests of the individual student.

IV. Group Activity

As described in the Student Guide, there are no right or wrong answers to this activity. Students should be encouraged to think

critically about the ten factors listed and to consider seriously how important these factors are to them.

Expect student responses to vary. Discuss why students came up with different ratings and priorities. Have students present their reasons for their ratings.

Unit 3 - Getting Money to Start (1 class period)

I. Vocabulary: overhead, investments, initial inventory, agency, management, installation

Case Study: "Mouthpiece" is the name of a business that will take care of all your complaints for you. In this unit the initial investment and costs for operating Mouthpiece are described.

Text: The Business Plan
Starting Expenses

Additional Points to Cover:

1. A personal resume will have to accompany the business plan and the statement of financial need. You may want to bring in examples of a resume and discuss how to write a good one.

2. Many small businesses fail because they are "under capitalized." You may want to discuss the importance of having sufficient reserve capital to cover operating expenses for two years--until the business begins to show a profit (it usually takes this long).

3. Lending agencies are generally very conservative in their investments. As a rule of thumb, they prefer the loan applicant to contribute at least 50% of the capital needed to start the business, and they will provide a loan for the remainder. If a loan applicant is turned down by one bank, he or she should make an application to a second bank, which may be more liberal in its lending policies. The Small Business Administration is another source of money for the prospective small business owner.

II. Responses to Individual Activities

1. Responses will vary with the student. Expensive service businesses are ones that require a nice office, heavy equipment, etc.

2. Total starting expenses tells the bank how much you'll have to spend to "open the doors" of your service; total money on hand tells the bank how much you personally can put into the busi-

ness; total loan money needed tells how much you want to borrow from the bank.

III. Responses to Discussion Questions

1. The lender will want to know about how you plan to attract your customers--your promotion and advertising campaign--and why you think this kind of service business would be a good investment risk.

   The lender will also want to know whether you are a good investment risk. Are you responsible and reliable, and do you have the types of experience that would make you able to operate a successful business?

2. A business plan will help you plan carefully for your business, anticipate your needs and the business risks, and plan your strategy for success. It will help you identify business strengths and weaknesses.

IV. Group Activity

Student responses will vary. Encourage students to be as precise and as detailed as possible in formulating their plans. Make sure all the main points listed in the Student Guide are addressed. Any reasonable and well stated response is acceptable.

Unit 4 - Being in Charge (1 class period)

I. Vocabulary:

expanding	discipline	well-qualified
management	social security	reliable
organization	supervise	personal references
establish	competitive	impressions
criticism	benefits	communication
		appreciation

Case Study: Alice needed to hire an employee to assist her in the production line of her To-Go Sandwich catering service. She advertises for the job and interviewed a number of applicants before she found James.

Text: When You Start to Drown in Your Work
Going It Alone
Hiring People to Work for You
Hiring the Right People
Training the New People
And Then the Ogre in You Comes Out. . .
Communication Is the Key

Additional Points to Consider:

1. You may want to talk to your students about classified ads, public and private employment agencies, and bulletin boards--how to use them and how they can help you find the right people.

2. There are many other aspects of the employer/employee relationship that you may want to cover--e.g., dealing with employees asking for raises or for time off. You may want to role play these situations.

3. You may want to discuss the importance of good communications and generate a list of ways good communications can be established and maintained.

4. A personal interview is an important part of hiring the right person for a job. There are some qualities that might show up in an interview and not on an application form. You may want to lead a discussion or role play a situation on good interview techniques.

II. Responses to Individual Questions

1. a. False; a good employer should take certain key responsibilities in the business--such as hiring, advertising, and long-range planning. Other tasks such as actually performing the service and bookkeeping can be delegated.

   b. False; to hire, you will need to know a lot about your employees, and a good way to get this information is through job applications.

2. You may look for evidence of reliability, a consistent work history, evidence of increasing responsibility in previous jobs, good personal references, and so on. Student responses will vary. Any resonable response is acceptable.

3. She could have placed an ad in the local newspaper or with a private employment agency, or she could have placed a "Help Wanted" sign in her window. Any reasonable response is acceptable.

4. Responses may include:
   a. uneasiness with people
   b. inability to communicate well
   c. sloppy appearance

III. Responses to Discussion Questions

1. Student responses will vary. However, students' suggestions should include a careful evaluation of the employee's performance and a subsequent discussion with the employee The

employee might think she has been doing an outstanding job. In other words, employee/employer communication has been lacking.

2. When you work alone, you can set your own schedule and "do your own thing" as long as you get the job done. Since you own the business and are aware of profits, you'll probably be highly motivated to do a good job. When you are an employer, you must turn over some of your responsibility to your employees. You must also supervise your employees and motivate them to do their best. It is easy to overextend yourself when you work alone. On the other hand, there are more responsibilities and paperwork for an employer.

3. You should think twice about hiring this person. If he is exceptionally well qualified for your business, and if he is only one of a number of employees, you may consider hiring him on a trial basis. However, you should be looking for employees who are reliable as well as qualified, because their performance will seriously affect the success of your business.

IV. Group Activity

The purpose of this activity is to sensitize students to the responsibilities of the employer in firing an employee. At the conclusion of this exercise, have students discuss what they have learned from this exercise. Each group should develop a set of "exit" guidelines for the employer--types of feedback to give when firing a worker, suggestions on how to be sensitive to the employee's feelings, and so on.

Unit 5 - Keeping Track of Supplies and Schedules (1 class period)

I. Vocabulary:

proportion	associated
logging	matte board
systematic	prompt
enthusiastic	discount
efficient	

Case Study: Carol Silverman found that it took too much time and effort to keep an accurate count of inventory in her Frame-Up Shop, so she invented a simple system that met her needs and was good for her store.

Text:
Inventory
The Source of All Things
Keeping Track of Purchases
Keeping Tight Reins on Your Inventory
Filling Out a Work Order Form
Who's Going To Do It, and When?

Additional Point to Consider:

Good organization comes from experience. You may want to discuss with your students how it is possible to let poor organization, paperwork, and small details run your life--leaving the business owner with no time to run the business. In order to be successful, business owners must learn to manage their time and responsibilities effectively and efficiently.

II. Responses to Individual Activities

1. Student responses to this question will vary, depending on their personal interests. Any reasonable list of inventory items appropriate for the identified service business is acceptable.

2. The area and location of the school will affect student choices and responses to this question.

3. Some services complete customer work order forms because of the complicated nature of their work. They need to know what is to be done, by whom, by what date, under what conditions/restrictions/limitations, and so on. Having it all in writing and having the customer sign the form are ways of guaranteeing that both the business owner and and the customer are in agreement about the work to be done and the associated costs.

4. c
   a
   b
   d

III. Responses to Discussion Questions

1. All reasonable responses to this question are acceptable.

2. You must consider the volume of business, seasonal demands, and customer tastes and preferences. You should also consider whether to buy "in depth" or diversify the inventory. Most service businesses that include inventories share similar concerns.

3. The advantage of this system is that the owner can keep track of what comes in and what goes out of the store on a weekly basis. The records will be relatively accurate and timely. The owner will know which items are fast movers and which items are "duds." However, the counting is time-consuming. Checking off on a chart items used every day may be more efficient. As an alternative, the "eyeball" method could be used as a method of inventory control.

4. The advantages of filling out work schedules are that you, your employees, and your customers will know who is responsible for what and when. Anything unexpected can throw off a work schedule--someone can become sick, a severe storm can close the town down, an electric outage can occur, etc.

IV. Group Activity

The purpose of this activity is to give students an awareness of the need to organize work loads. Student estimates of times required and responses to this question will vary. However, in terms of which of these tasks could be put off for another day, student responses should reflect a sensitivity to work priorities.

The least important task is reading the junk mail, while the most important and immediate task is dealing with a dissatisfied customer. Writing out the weekly payroll checks should be your next highest priority.

The bills are probably not due immediately, so they, too, can be put off for a while.

You can reschedule your meeting with your tax consultant as well as your consultation about redesigning your Yellow Pages ad, since there is no immediate deadline for either.

Unit 6 - Setting Prices (1 class period)

I. Vocabulary: client, calculate, overhead, corporations, warranties

Case Study: Christney Ozawa develops a strategy for setting prices for her limousine service.

Text: What People Are Willing to Pay
The Break-Even Point
Things That Make Prices Go Up
Things That Make Prices Go Down

Additional Points to Consider:

1. You probably will want to discuss in more detail the factors that affect pricing decisions, such as
   inflation rates
   gas-price increases
   wholesale costs (including increased labor costs)
   overhead expenses, etc.

2. You may want to discuss ways in which owners of small businesses cope until they begin to show a profit. The problems of under-capitalization may also be discussed in the context of pricing strategies and decisions.

II. Responses to Individual Activities

1. The break-even point refers to the point when the income from sales is sufficient to pay for all costs (operating expenses, salaries, inventory, etc.) without any surplus that can be called profit.

2. You may consider reducing the selling price of your merchandise or service if:

   a. your merchandise or service is not selling (it may be priced too high);
   b. peoples' tasks have changed or the technology has changed; or
   c. you want to attract more customers to your store.

   The basic purpose behind any of these decisions is to increase sales in order to maintain or increase your profits.

3. Prices can go up for any one of a number of reasons:

   inflation;
   increased wholesale prices; or
   higher operating costs.

   Accept any reasonable response.

III. Responses to Discussion Questions

1. All normal operating expenses reduce profits. These include salaries, rent, telephone, utilities, office supplies, transportation costs, advertising, etc. In addition, profits may be reduced as a result of theft, fire, bad checks, etc.

2. In general, Christney was very thorough in identifying all her basic costs when pricing her service. Other additional but less important costs may include buying and cleaning uniforms, "ornamental" costs for such items as carnations for buttonholes, etc.

   Student responses to the remainder of this question will reflect their own service business interests and will vary. Accept any reasonable answer.

IV. Group Activity

The purpose of this activity is to help students understand how prices are set and how individual businesses differ in their pricing policies. Differences in prices noted for the same service may result from differences in: experience and training of the person giving the service; type of office occupied; equipment used; storage image ("deluxe" vs. "economy" focus); etc.

Unit 7 - Advertising and Selling (1 class period)

I. Vocabulary:

effectively	imagination	distinctive
access	invaluable	persuasive
graphic	inexpensive	circulation
efficient	consistent	format
campaign	benefit	informative
substitute	promotion	

Case Study: Marcella and Eduardo developed an advertising campaign for their "Promising Profiles" dating service. They decided to cut a few corners in their advertising methods, only to discover later that they had seriously limited their profits by their "cost-saving" efforts.

Text: What Kind? Where?
Qualities of a Good Ad

Additional Points to Consider:

1. The Federal Trade Commission (FTC) establishes standards for advertising. You may want to lead a class discussion on how these standards affect advertising techniques and content.

2. Word-of-mouth advertising is the most effective form of advertising a store or service can have. This can be related to topics in previous units--specifically, personalized sales and service and store image. Remind students that the most effective form of advertising is a satisfied customer.

3. It is useful to bring in advertising for students to look at before they read this unit. Listening to ads on the radio can also help.

II. Responses to Individual Activities

1. A good ad should be informative, simple, and truthful. It should be easy for the reader to recognize as well as being visually attractive. Dominant illustrations and graphic designs will help get people's attention. A good ad should show potential customers why they should use this service business, or "what's in it for them."

2. Any student response to this activity is acceptable. Students should be encouraged to be imaginative and creative in their designs. However, the ad must also include the name and address of the agency, business hours, telephone number, and so on. It may be helpful to direct their attention to using certain themes in designing their ads.

3. C; direct mailings can be very expensive, but they can be designed to address the immediate needs of the target customers.

B; one of the first steps in opening a business is to list it in the Yellow Pages.

D; goodwill is the most effective form of advertising.

4. The answers to this question will vary with the area, city, and policies of your local telephone company.

III. Responses to Discussion Questions

1. Student responses to this question will vary. Goodwill may include unusual promotional events and involvement in community activities. Some suggestions may include: contributions to charity events; involvement in the local Junior Achievement organization; discounts; give-aways; demonstrations; free lectures, etc.

2. A daily or monthly ad can get boring over a period of time if it is not changed. After a while people will just look at the ad without reading it. Special promotions and sales can be used to attract people's attention. Customers may be already aware that your service business exists, but a special event and different advertising can bring these people in.

3. Student responses to this question will vary, depending on their service business interests. Accept any reasonable responses.

IV. Group Activity

The purpose of this activity is to sensitize students to the importance of following the guidelines for good advertising. Students should defend their choices, using the principles presented in the text.

Unit 8 - Keeping Financial Records (1 class period)

I. Vocabulary:

itemized	dangerously	convenient
purchase	guarantee	repayment

Case Study: Norman Sandler discusses how he started his Printer Referral Service (PRS) and the successful outcomes of establishing the service.

Text: Collecting the Money
To Give or Not to Give Credit: A Word of Warning about Credit Charge Accounts
Easy Come, Easy Go--the Daily Cash Sheet

Additional Points to Consider:

1. This unit was designed for use by students who have not had any bookkeeping experience. It provides a very brief overview of some of the basic elements of bookkeeping. You may wish to present a more in-depth lesson on some of the topics.

2. Many small businesses use an accountant or a bookkeeper to compile records for tax purposes. The financial records that the business keeps are usually basic ones.

3. Certain small business owners keep few or no records. Such businesses take a big risk if the Internal Revenue Service ever asks to see their books.

II. Responses to Individual Activities

1. There is a thriving market in stolen and illegal credit cards. All credit sales should be checked before you give the customer the sales receipt to ensure that: (1) the credit card has not been reported stolen; (2) the customer is not going over his or her credit limit; and (3) the card is still valid and has not expired.

   Allowing a new customer to open a credit account means taking a risk that this person is reliable and will pay you on time. Giving credit accounts, on the other hand, is a way of attracting new customers and maintaining relations with your regular customers.

2.

DAILY CASH SHEET

Cash Receipts		Cash Payments	
Cash Sales	$ 235	Rent	$ 300
		Supplies	125
		Phone	80
		Xerox copies	50
		Total	$ 555

3. Both billing forms and sales slips describe (itemize) the charges for all services and products, including tax and other charges. A sales slip, however, is usually used for cash sales and is presented at the time of the sale. A billing form is sent out at a later date and indicates the number of times a customer used your services (and the total amount due) within the billing period.

III. Responses to Discussion Questions

1. People expect businesses to honor credit cards and give credit accounts. Despite the recent increases in interest rates, credit cards have become an essential element in business. Credit cards make buying easier and more convenient. If it is convenient to do business with your service, people will be more likely to come to you. In return, you don't have to worry about sending out bills or about "bad accounts" because the card companies take responsibility for their card carriers.

   On the other hand, your profits are decreased, because you have to pay the card companies for their services. If you have a lot of credit sales, this may limit your cash on hand, as you will have to wait for the card company to pay you. There is also a thriving business in stolen cards. Each time a credit sale is made, the card must be checked to make sure it has not been stolen and is not on "the blacklist" because the bills have not been paid. If the sale is made without this check and the card is bad, then you may be responsible for this cost, and/or the card company may decide that it can do without your business.

2. Student responses to this question will vary. A good credit history and evidence of financial reliability and (e.g., full-time job, good personal references, etc.) are the things you should look for in a person before giving credit.

3. It is important to keep good records so you will know what has been done for your customers--and, if there is a misunderstanding, error, or omission, who is to be held responsible. Good financial recordkeeping means keeping track of sales and operating expenses. These figures form the basis of the yearly profit/loss statement, which tells you how well your business is doing.

   In addition, financial records will help a business owner keep tax records, medical and health benefit records for employees, insurance records, purchase and work order records, records of all deliveries made and received, and records of all operating expenses.

IV. Group Activity

The purpose of this activity is to encourage students to think about real-life business situations requiring financial recordkeeping and then to translate the anecdotal information onto business forms. Students should give reasonable examples of cash payments and receipts for their business and then list them in the proper places on the daily cash sheet.

Unit 9 - Keeping Your Business Successful (1 class period)

I. Vocabulary:

profit/loss statement	credibility
revenue	net profit
profit ratio	percent
expense ratio	formula
compute	donate
expand	expensive
alternative	cost effective

Case Study: Scott Hamilton describes his photography business and how it has grown over the years.

Text:
- Keeping Track of Profits
- What Is Net Profit?
- Figuring Out Your Profit and Expense Ratios
- How to Change Your Profit Ratio
- Expanding Your Business

Additional Points to Consider:

1. This unit, like the last, was designed primarily for use by students who have not had any bookkeeping experience. It may be necessary to review some of the major topics and related formulas presented in this module.

2. Some of the decisions business owners have to make are hard ones, such as firing or laying off employees. But sometimes this is necessary, particularly if the survival of the business is at stake. You may wish to lead a discussion on "how to let people go--the nice way."

II. Responses to Individual Activities

1. Net profit is the amount of money left over after you have subtracted all your costs and operating expenses from your revenues. Profit ratio refers to the ratio of net profit to revenues, while the expense ratio refers to the ratio of operating expenses to revenues. Together they can be used to evaluate the financial standing and growth of the business.

2. Raising prices may bring in more revenues. However, if you raise prices, you may also lose customers. If your customers know they can find the same items elsewhere at a lower price, they may not return to your store.

3. If you lower prices, you may attract more customers. However, you will also be reducing your profit margin on each sale you make.

4. Total expenses $ 12,200
   Net profit $ 13,800
   Profit ratio 53%
   Expense ratio 47%

5. A business owner may wish to study how cost effective his or her operating procedures are. Can the ratio of employees to customers be increased without hurting the business' quality of personalized service? Is the advertising campaign appropriate for the customers? Can actions be taken to reduce the cost of utility bills? Does the free delivery service add to the success of the business, or is this service too costly to maintain? And so on . . . All of these questions (and actions) can be used to increase the profit ratio.

III. Responses to Discussion Questions

1. Some businesses prefer to remain small in order to maintain the quality of personal service. More business means more work, more people to supervise, and more people to manage. And larger businesses are not necessarily more profitable.

2. Sales and profit may decline for a variety of reasons--inflation (fewer "leisure dollars" to spend), poor management, an inappropriate pricing policy, incompetent employees, shifting traffic patterns, a declining economic condition in the area, ineffective advertising, and so on.

IV. Group Activity

The purpose of this activity is to summarize the contents of this module. The individual units can be used by students as resources to generate their list of activities, which they will then rate. At the conclusion of the exercise, you may wish to lead a class discussion to see whether students' feelings about owning and operating a service business have changed as a result of reading this module.

Students can do this activity individually or in small groups and share their results with the class. This activity can also be used by the students as a self-assessment tool to evaluate how interested they are in service businesses now that they have been introduced to some of the "ins and outs."

Summary (15-30 minutes)

If desired, the Quiz may be given prior to summarizing the module and doing wrap-up activities.

Remind students that their participation in this module was intended as an awareness activity so they could consider entrepreneurship as a career option. Their introduction to the skills required for successful small

business management has been brief. They should not feel that they are now prepared to go out, obtain a loan, and begin their own business. More training and experience are necessary. You can suggest at least these ways of obtaining that experience: one way is to work in the business area in which they would eventually want to have their own venture; another is to go to school (community colleges are starting to offer AA degrees in entrepreneurship).

This is a good time to get feedback from the students as to how they would rate their experience with the module. Could they identify with the characters portrayed in the case studies? How do they feel about the learning activities?

You may want to use a wrap-up activity. If you have already given the quiz, you can go over the correct answers to reinforce learning. Or you could ask class members to talk about owning a small business and whether they will follow this option any further.

Quiz (30 minutes)

The quiz may be used as an assessment instrument or as an optional study tool for students. If you wish to use the quiz for study purposes, duplicate and distribute the answer key to students. In this case, student achievement may be assessed by evaluating the quality of students' participation in module activities.

Quiz Answer Key

1. c
2. d
3. c
4. a
5. c
6. d
7. c
8. b
9. a
10. c

11. Student responses may include: description of items purchased
quantity of items
costs
date of purchase
date of delivery
method of delivery

12. a. what people are willing to pay
b. operating expenses
c. desired profit
d. competitors' prices

13. b

14. a. direct mailings
b. Yellow Pages
c. newspaper/classified ads
d. radio
e. goodwill/promotional events

15. a

16. b

17. a

18. a. $30,000

b. $\frac{30,000}{150,000} = 20\%$

c. $\frac{120,000}{150,000} = 80\%$

19. c

20. a. lower prices
b. raise prices
c. do more advertising (bring in more customers)
d. change or expand your services

SUGGESTED READINGS

General Entrepreneurship References

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GOALS AND OBJECTIVES

Goal 1: To help you plan your service business.

Objective 1: Describe the services, clients, and competition of a service business.

Objective 2: List three personal qualities an owner of a service business might have.

Objective 3: List three ways a service business might be special.

Objective 4: List two of the legal requirements you might have to consider before opening a service business.

Goal 2: To help you choose a good location for your service.

Objective 1: List three things to think about in deciding where to locate your business.

Objective 2: Pick the best location for a service business.

Objective 3: Decide whether your city or town would be a good location.

Goal 3: To help you plan how to get money for your service business.

Objective 1: Write a business description for your service.

Objective 2: Fill out a form showing how much money you will need.

Goal 4: To help you choose the people who work for you.

Objective 1: List the information needed on a job description.

Objective 2: List the qualities of a good boss.

Goal 5: To help you plan how to buy supplies and how to provide your service.

Objective 1: List two forms that help you buy and keep track of your inventory and describe how they're used.

Objective 2: List two forms that help you organize your work and employees, and describe how they're used.

Goal 6: To help you set prices for your service business.

Objective 1: List three things to consider in setting prices for your service.

Objective 2: Set prices for your service after being given certain "facts."

Goal 7: To help you learn ways to advertise your business and bring customers in.

Objective 1: List some of the ways you can effectively advertise your service.

Objective 2: Design a printed ad for your service.

Goal 8: To help you learn how to keep financial records for your service business.

Objective 1: Fill out a sales receipt or a bill for a customer.

Objective 2: Fill out a daily cash sheet that records money coming in and going out of your business.

Goal 9: To help you learn how to keep your business "in the black."

Objective 1: Figure out the net profit, profit ratio, and expense ratio after being given a specific business situation.

Objective 2: Describe at least one way to increase profits in a business.

Objective 3: Suggest a way to change your business to increase sales.

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